

State of California  
California Environmental Protection Agency  
AIR RESOURCES BOARD

**LOWER-EMISSION SCHOOL BUS PROGRAM**



Final Revised Guideline Addendum Issued: June 2004

## TABLE OF CONTENTS

PROGRAM CONTACTS .....	2
SUMMARY OF PROGRAM CHANGES FOR THE 2003 – 2004 FISCAL YEAR..	4
THE LOWER-EMISSION SCHOOL BUS PROGRAM GUIDELINE REVISIONS .	5
I.    BACKGROUND .....	5
A.    Purpose of the Program .....	5
B.    Historical Funding for the Lower-Emission School Bus Program (2000 - 2001 and 2001 - 2002 Fiscal Years) .....	5
C.    Proposition 40 Funding for the Lower-Emission School Bus Program (2002 - 2003 and 2003 - 2004 Fiscal Years) .....	6
II.   FUNDING ISSUES.....	6
A.    Funding Allocations .....	6
B.    Funding Split between Alternative-Fuel and Ultra Low-Sulfur Diesel School Buses .....	7
C.    School District Funding Contributions .....	8
D.    Air District Funding Contributions .....	8
E.    Environmental Justice Requirements.....	9
III.  UPDATED CRITERIA FOR FUNDING NEW SCHOOL BUSES WITH LOWER-EMITTING ENGINES .....	9
A.    Updated Emissions Eligibility Criteria for Funding New School Buses..	10
B.    Program Timeline for the 2003 - 2004 Fiscal Year .....	11
C.    Additional Requirements .....	12
D.    Emission Benefits .....	12
IV.  PERFORMANCE PENALTY FOR LATE DELIVERY OF SCHOOL BUSES .....	12
V.   APPLICATION AND AWARD PROCESS.....	14
VI.  REPORTING AND AUDITING REQUIREMENTS .....	14

## PROGRAM CONTACTS

The Air Resources Board (ARB or Board) contact for general program issues regarding the Lower-Emission School Bus Program is Krista Fregoso. General program inquiries should be directed to:

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The California Energy Commission (CEC) contacts for the Lower-Emission School Bus Program are Sandra Fromm and Mike Trujillo. School districts in all areas of the state, except those located in the Bay Area Air Quality Management District, the Sacramento Metropolitan Air Quality Management District, the San Diego County Air Pollution Control District, and the South Coast Air Quality Management District, should direct program inquiries to the CEC at:

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School districts in the Bay Area Air Quality Management District, the Sacramento Metropolitan Air Quality Management District, the San Diego County Air Pollution Control District, and the South Coast Air Quality Management District should direct program inquiries to:

Bay Area Air Quality Management District  
Mr. Michael Murphy: (415) 749-4644

Sacramento Metropolitan Air Quality Management District  
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## **SUMMARY OF PROGRAM CHANGES FOR THE 2003 – 2004 FISCAL YEAR**

Summarized below are the minor revisions, contained in this Guideline Addendum, for the continuation of the Lower-Emission School Bus Program with 2003 - 2004 fiscal year funds provided through Proposition 40.

This Guideline Addendum, to be used by the California Energy Commission (CEC) and by participating local air districts in implementing the Lower-Emission School Bus Program, is not a complete compilation of all the policies and criteria that guide program implementation. This Addendum should be used in conjunction with the original Lower-Emission School Bus Program Guidelines, which were approved by the Board on December 7, 2000, and issued in April 2001, and with a previous Guideline Addendum issued in May 2003. These two documents may be accessed from the ARB's web site at <http://www.arb.ca.gov/msprog/schoolbus/schoolbus.htm>.

### ***Revision Summary:***

- ◆ Updated regional funding allocations based on \$4,600,000 available statewide in the 2003 – 2004 fiscal year for the purchase of “clean, safe, school buses.” No new funding is available for continuation of the retrofit program component applicable to in-use diesel school buses.
- ◆ Updated program timetable with enforceable delivery deadline for program-funded school buses.
- ◆ Updated emissions eligibility criteria for funding new alternative-fuel and ultra low-sulfur diesel (sulfur content of no greater than 15 parts per million) school buses with 2004 and later model-year engines.

## **THE LOWER-EMISSION SCHOOL BUS PROGRAM GUIDELINE REVISIONS**

The purpose of this Guideline Addendum is to update emissions eligibility criteria for the purchase of new, lower-emitting school buses throughout California, to update funding allocations for participating regions, and to provide an updated program timetable for the expenditure of 2003 - 2004 fiscal year Proposition 40 funds. The changes in this document are only applicable to the new school bus purchase component of the existing Lower-Emission School Bus Program. Proposition 40 and subsequent legislation (Assembly Bill 425; Statutes of 2002, Chapter 379) did not provide additional funds for the continuation of the particulate matter (PM) retrofit program component applicable to in-use diesel school buses.

### **I. BACKGROUND**

#### **A. Purpose of the Program**

The ARB's mission is to provide clean, healthful air to all residents of California, and to protect those most vulnerable to the harmful effects of air pollution. The ARB advanced this mission through the adoption of the Lower-Emission School Bus Program in December 2000. As approved by the Board, this incentive program was designed to reduce school children's exposure to both toxic PM emissions and smog-forming oxides of nitrogen (NOx) emissions through two program components: 1) a school bus purchase and infrastructure component to replace the oldest, highest-polluting buses with new, lower-emitting buses meeting the latest federal motor vehicle safety standards; and 2) a retrofit component to significantly reduce PM emissions from the in-use diesel school bus fleet.

With funding from Proposition 40 for the 2002 - 2003 and 2003 - 2004 fiscal years, the Lower-Emission School Bus Program continues to benefit school children's health through the purchase of safe, new lower-emitting school buses.

#### **B. Historical Funding for the Lower-Emission School Bus Program (2000 - 2001 and 2001 - 2002 Fiscal Years)**

The ARB, in conjunction with the CEC, administers the Lower-Emission School Bus Program. Through the state budget process, the program received a total of \$66 million during its first two years (the 2000 - 2001 and 2001 - 2002 fiscal years). Of this total funding amount, \$49.5 million was dedicated to the purchase of safe, lower-emitting new school buses (alternative fuel and ultra low-sulfur diesel) throughout the state. The remaining \$16.5 million has been dedicated to the purchase and installation of exhaust aftertreatment devices to reduce PM emissions from in-use diesel school buses.

The ARB, the CEC, and the local air quality management and air pollution control districts have administered and implemented the program using the Lower-Emission School Bus Program Guidelines approved by the Board on December 7, 2000, and the first Guideline Addendum issued in May of 2003. The CEC has been responsible for direct implementation of the program component to replace old school buses with new, lower-emitting models in many areas of the state, while some local air districts have been responsible for their own program implementation.

During the program's first two years, state funding has replaced approximately 400 old, high-emitting pre-1987 model year school buses with safe, new lower-emitting models. Approximately another 100 old school buses have been replaced through match funding contributed by the local air districts that implemented their own programs. For the in-use diesel bus retrofit component of the program, participating air districts are responsible for its direct implementation. This retrofit program component is on-going; at its completion, we expect that about 3,000 in-use diesel school buses will be equipped with ARB-verified retrofit devices that significantly reduce toxic PM emissions.

#### **C. Proposition 40 Funding for the Lower-Emission School Bus Program (2002 - 2003 and 2003 - 2004 Fiscal Years)**

Proposition 40, the voter-approved initiative to conserve natural resources and improve state and local parks, provides funding for new school bus purchases through Assembly Bill 425 (Statutes of 2002, Chapter 379). Assembly Bill 425 directs that 20 percent of the Proposition 40 funds made available to the ARB shall be allocated for the acquisition of "clean, safe, school buses for use in California's public schools that serve pupils in kindergarten and grades 1 to 12, inclusive." For the 2002 – 2003 fiscal year, \$4,920,000 was available for the purchase of new safe, lower-emitting school buses -- about 40 buses statewide. For the 2003 – 2004 fiscal year, \$4,600,000 is available for the purchase of new school buses – about 36 buses statewide.

## **II. FUNDING ISSUES**

### **A. Funding Allocations**

The funding allocation methodology used for the Lower-Emission School Bus Program during the 2000 - 2001 and 2001 - 2002 fiscal years was based on population. This funding methodology is continued in the 2002 - 2003 and 2003 - 2004 fiscal year allocations from Proposition 40 funds. Allocating the funds in this manner provides for the placement of new, lower-emitting buses in more densely populated urban areas and will thus reduce exposure to toxic diesel particulates for the greatest number of people.

Table 1 below shows the estimated distinct air district funding allocations for school districts in seven regions throughout California. Air districts receiving funding allocations for the purchase of more than one new school bus may be permitted to administer the program for school districts in their respective regions; the CEC will administer the program for school districts in all other regions. However, for air districts receiving funding allocations for more than one bus, only the Bay Area Air Quality Management District (BAAQMD), the Sacramento Metropolitan Air Quality Management District (SMAQMD), the San Diego County Air Pollution Control District (SDAPCD), and the South Coast Air Quality Management District (SCAQMD), have expressed interest in continuing with direct program administration. Table 1, therefore, reflects that only these four air districts will self-administer the program.

**TABLE 1**

<b>Estimated Funding Allocations (2003 – 2004 FY)</b>		
<b>Region</b>	<b>Funds</b>	<b>Approximate # of Buses</b>
<b>Self-Administered Program</b>		
Bay Area AQMD	\$900,000	7
Sacramento Metropolitan AQMD	\$160,000	1-2
San Diego County APCD	\$390,000	3
South Coast AQMD	\$2,030,000	16
<b>CEC-Administered Program</b>		
Monterey Bay APCD	\$95,000*	1
San Joaquin APCD	\$425,000*	3-4
Ventura County APCD	\$102,000*	1
CEC Pool – all other air districts	\$498,000*	4
<b>TOTAL</b>	<b>\$4,600,000</b>	<b>36-38</b>

\*Total CEC allocation is set at \$1,120,000 but regional allocations within CEC-administered program are approximate

#### **B. Funding Split between Alternative-Fuel and Ultra Low-Sulfur Diesel School Buses**

With the adoption of the Lower-Emission School Bus Program Guidelines in December 2000, the Board designated two-thirds of the new bus purchase funding for alternative-fuel school buses and one-third of the funding for ultra low-sulfur diesel school buses. The Board's intent was for this policy to be implemented on a regional basis; therefore, air districts with distinct funding allocations were required to award funds consistent with the designated funding split, to the extent possible. In administering the program for other regions in California, the CEC was also to award funds consistent with the Board's designated funding split.



Due to the small pot of funding available from Proposition 40, it is impractical for some air districts to maintain this funding policy in their respective regions. Therefore, the ARB is maintaining the designated funding split as a statewide goal, but with less emphasis on region-specific implementation. This policy carries forward the manner in which the 2002 - 2003 fiscal year Proposition 40 funds were expended for new bus purchases. This policy will provide school districts with the flexibility to purchase either ultra low-sulfur diesel or alternative-fuel school buses, but will not constrain new bus purchases to a particular fuel type as a result of decreased funding allocations.

### **C. School District Funding Contributions**

Summarized below are the requirements for school districts' financial contributions for new buses funded through the Lower-Emission School Bus Program using 2003 – 2004 fiscal year Proposition 40 funds. These requirements are already in force and do not represent a change in the existing program; they are presented here as a reminder to school districts and to public agencies responsible for implementing the program.

- The state will pay a minimum of 85 percent of the total cost of a new school bus (including taxes and applicable State Department of General Service fees) that replaces an in-use pre-1977 model year school bus, with a priority on replacing diesel school buses. The school districts' financial contribution will be capped at \$10,000 per each new bus purchased. Other grant funds, such as air district funds (e.g., motor vehicle registration fee monies) can be used as a source of the required school district funds. To maximize state funds, Carl Moyer Program funds cannot be used as a source of the required school district funds.
- The state will pay a minimum of 75 percent of the total cost of a new school bus (including taxes and applicable State Department of General Services fees) that replaces an in-use 1977 through 1986 model year school bus, with a priority on replacing diesel school buses. The school districts' financial contributions will be capped at \$25,000 per each new bus purchased. Again, other grant funds, such as air district funds (e.g., motor vehicle registration fee monies) can be used as a source of the required school district funds. To maximize state funds, Carl Moyer Program funds cannot be used as a source of the required school district funds.

### **D. Air District Funding Contributions**

Air districts that administered their own Lower-Emission School Bus Programs using 2000 - 2001 and 2001 - 2002 fiscal year funds were required to contribute match funding in the amount of ten percent of their state grant awards for new bus purchases. This match-funding requirement was not a legislative requirement, but a requirement of the Guidelines.

For the 2002 - 2003 and 2003 - 2004 fiscal year funds allocated from Proposition 40, the ARB has eliminated the match funding requirement for the air districts that continue administration of their own programs. Assembly Bill 425 specifically excludes air districts participating in the Lower-Emission School Bus Program from match funding requirements specified in Health and Safety Code section 44287.

## **E. Environmental Justice Requirements**

Proposition 40 requires that funds appropriated to the ARB be used in a manner consistent with the environmental justice provisions of Assembly Bill 1390 (Chapter 732, Statutes of 2001). These provisions (contained in Health and Safety Code section 43023.5) require air districts with populations of one million residents or more to distribute one-half of their respective funding allocations to directly benefit low-income communities and communities of color that are disproportionately impacted by air pollution. The 2001 - 2002 fiscal year funds for new bus purchases were subject to environmental justice provisions of AB 1390; therefore, this is not a new requirement as a result of Proposition 40.

Based on Health and Safety Code section 43023.5, five air districts are subject to the environmental justice provisions. They are: the Bay Area Air Quality Management District, the Sacramento Metropolitan Air Quality Management District, the San Diego County Air Pollution Control District, the San Joaquin Valley Air Pollution Control District, and the South Coast Air Quality Management District. All other air districts are encouraged to allocate their respective funds in a similar manner, to the extent possible.

For disbursement of the Proposition 40 funds, air districts and the CEC will continue to implement the environmental justice requirements using the same ARB-recommended criteria developed for the expenditure of the 2001 - 2002 fiscal year funds. This criteria uses the percentage of students within a public school district participating in the free and reduced-lunch meal program to assist in identifying a region in which to target funds. Alternatively, air districts may develop and use different criteria, if approved by the ARB. The ARB staff will continue to work with air districts and the CEC, as needed, to assist in meeting the requirements of Health and Safety Code section 43023.5.

## **III. UPDATED CRITERIA FOR FUNDING NEW SCHOOL BUSES WITH LOWER-EMITTING ENGINES**

This section summarizes the ARB's updated emissions eligibility criteria for purchasing new school buses with 2004 and later model year engines using 2003 – 2004 fiscal year Proposition 40 funds.

## **A. Updated Emissions Eligibility Criteria for Funding New School Buses**

### NOx Emission Reduction Requirement

Beginning with last year's program funding cycle (the 2002 - 2003 fiscal year), the ARB allowed funding to be used for school bus purchases with heavy-duty diesel engines that just met their legally-required NOx limit. This criterion is not changing and will remain in force for this year's funding cycle (the 2003 - 2004 fiscal year). What is changing, however, is the legally-required NOx limit to which all engines must certify. A new engine emission standard for NOx is in effect for 2004 and later model year heavy-duty engines. The new standard, a combined NOx plus non-methane hydrocarbon (NMHC) standard, is 2.4 grams per brake horsepower-hour (g/bhp-hr), or 2.5 g/bhp-hr with a 0.5 g/bhp-hr cap on NMHC. This standard applies across the board to all heavy-duty engines, whether diesel or alternative fuel, and to all engine manufacturers. Program funds used to purchase school buses with alternative-fuel engines will provide NOx reductions; alternative-fuel engines are currently certifying to optional, reduced-emission NOx plus NMHC standards of 1.5 to 1.8 g/bhp-hr.

### PM Emission Reduction Requirement

The PM emission standard criteria remain unchanged from last year. All engines (ultra low-sulfur diesel and alternative fuel) in school buses purchased with 2003 – 2004 fiscal year Proposition 40 funds must be equipped with exhaust aftertreatment technology and have PM certification emission levels below the current 0.10 g/bhp-hr PM emission standard. Current model year ultra low-sulfur diesel and alternative-fuel engines equipped with aftertreatment (particulate filters for diesel engines; oxidation catalysts for alternative-fuel engines) are certifying to a 0.01 g/bhp-hr PM level – 90 percent below the mandatory PM standard.

### Emissions Level Criteria Summary

Four engine manufacturers (Caterpillar, Cummins, John Deere, and International) are currently participating in the Lower-Emission School Bus Program and either have already certified engines that qualify for program funding or will soon complete certification of qualified engines. Table 2 below summarizes the Lower-Emission School Bus Program's emission standard criteria and shows the emission standards to which the participating engine manufacturers are certifying their 2004 model year engines.

**TABLE 2**

<b>Lower-Emission School Bus Program Emissions Eligibility Criteria and Manufacturers' Certification Levels</b>		
<b>Program Emission Standard Criteria</b>	<b>NOx +NMHC Level ≤ 2.5 g/bhp-hr standard (with 0.5 g/bhp-hr cap on NMHC)</b>	<b>PM Level &lt; 0.10 g/bhp-hr standard with exhaust aftertreatment*</b>
Caterpillar – ULSD (Executive Order A-013-0170)	2.5 g/bhp-hr	0.01
Cummins - Alternative fuel (Executive Order A-021-0362)	1.8 g/bhp-hr	0.01
Cummins – Alternative fuel (Executive Order A-021-0355)	1.8 g/bhp-hr	0.004
John Deere - Alternative fuel (Executive Order A-108-0034)	1.5 g/bhp-hr	0.01
International – ULSD (certification in process)	2.5 g/bhp-hr	0.01

\*Reduced-emission PM levels for ULSD engines must be at or below 0.01 g/bhp-hr; Reduced-emission PM levels for alternative-fuel engines must be at or below 0.03 g/bhp-hr

#### **B. Program Timeline for the 2003 - 2004 Fiscal Year**

Table 3 below presents an overview of the timeline for the Lower-Emission School Bus Program for expenditure of the 2003 - 2004 fiscal year funds. Dates shown are the final dates for the execution of the designated activities. In addition to meeting the emissions eligibility criteria discussed above, all school buses purchased with funding from the Lower-Emission School Bus Program must be delivered to school districts by the delivery deadline specified in Table 3. The delivery deadline must be included in the contract language in which the public agency (either the CEC or the local air districts that self-administer the program) awards program funds to school districts and in the purchase order agreement between school districts and school bus distributors. The failure to meet this delivery deadline will result in a performance penalty assessed against the business entity (e.g., engine manufacturer, school bus manufacturer, or school bus distributor) responsible for the delivery delay. The performance penalty is discussed further in Section IV of this Guideline Addendum.

**TABLE 3**

<b>Lower-Emission School Bus Program Timeline for 2003 – 2004 FY Funds</b>	
By June 30, 2004	ARB enters into funding agreements with air districts/CEC
By September 1, 2004	School districts apply for new bus funding
By November 1, 2004	New buses ordered from distributors
By December 31, 2005	All new buses delivered
By March 1, 2006	Final reports due to ARB from air districts and CEC

**C. Additional Requirements**

The original Guideline requirements for the disposition of each old school bus replaced with a new bus purchased with program funds remain in force. In most cases, the original Guidelines require that each replaced bus be permanently removed from service through crushing. An exception to this requirement is the existing provision that allows a 1977 through 1986 model year replaced bus to replace a CHP-certified, in-use pre-1977 model year school bus in another California bus fleet (not limited to public school bus fleets). In this situation, the pre-1977 model year bus must then be permanently removed from service through crushing.

**D. Emission Benefits**

Because school buses remain in service for many years, some 20 years and longer, replacing old school buses with new, lower-emitting models provides long-term public health benefits. Based on the funding allocation of \$4,600,000 for the 2003 – 2004 fiscal year, the ARB estimates that the Lower-Emission School Bus Program will reduce NOx emissions by approximately 12 tons and PM emissions by approximately 8 tons over the period from 2005 through 2020.

**IV. PERFORMANCE PENALTY FOR LATE DELIVERY OF SCHOOL BUSES**

This section summarizes the requirements for assessing any monetary penalties that may accrue as a result of the late delivery of school buses to school districts. The monetary penalty provision is not a new requirement for the expenditure of 2003 – 2004 fiscal year Proposition 40 funds. This provision was first put into effect with the May 2003 Guideline Addendum for the expenditure of 2002 – 2003 Proposition 40 funds.

Under the penalty provision, a monetary performance penalty is assessed against the business entity responsible for a delay that results in the failure to deliver program-funded school buses to school districts by the specified delivery

deadline of December 31, 2005. Specifically, the ARB will assess a performance penalty of \$100.00 per day for each day a bus is delivered after the delivery deadline. The purpose of this performance penalty is to ensure a level playing field for all business entities that stand to profit from the purchase of program-funded school buses and to minimize any potential risks to school districts.

For the four air districts that will self-administer the program (BAAQMD, SCAQMD, SDAPCD, and SMAQMD), the performance penalty will be administered through a withhold by the ARB of five percent of the total grant fund award to each air district until after the December 31, 2005, delivery deadline. Upon confirmation by each air district that all program-funded buses have been delivered to school districts by December 31, 2005, the ARB will immediately release the remaining five percent of their respective grant awards to each air district. For each bus delivered late, the air districts will be required to reduce the grant payment to either the school bus distributor or the school district (depending on the contract arrangements for the payment of bus purchase orders) by \$100.00 per day for each day a bus is delivered after December 31, 2005. The ARB will retain an amount equal to the calculated performance penalty from the applicable air district's grant withhold. Upon confirmation of final bus delivery to the school districts, the ARB will then release the remaining grant award balance, if any, to the air district.

For the regions in California for which the CEC administers the program, the performance penalty will be administered through a similar mechanism. For each bus delivered late, the CEC will be required to reduce the grant payment to either the school bus vendor or the school district (depending on the contract arrangements for the payment of bus purchase orders) by \$100.00 per day for each day a bus is delivered after December 31, 2005. For each bus delivered after this deadline, the ARB will reimburse the CEC, upon receipt of contractually-specified invoices, an amount equal to the state's share of the bus purchase price minus the calculated performance penalties.

As mentioned in Section III, the delivery deadline must be included in the contract language in which the public agency (either the CEC or the local air districts that self-administer the program) awards funds to school districts, and in the terms and conditions of the purchase order agreement between school districts and school bus distributors. In addition, each funding award contract and school bus purchase order agreement must contain the following statement:

"The ARB shall assess a performance penalty of \$100.00 per day per bus on the business entity responsible for a delay that results in the failure to deliver to school districts any school bus purchased with funds from the Lower-Emission School Bus Program by the delivery deadline contained in this agreement. For each bus delivered to a school district after December 31, 2005, the local air district or the California Energy Commission, whichever public agency is responsible for administering the program, shall reduce the grant award payable

to the school bus distributor or school district by an amount equal to the calculated performance penalties.”

Any funds generated through the enforcement of this performance penalty will be used to augment program funding in the region in which the violation occurred for those air districts with distinct funding allocations. For violations that occur in school districts within air districts without distinct funding allocations, the funds collected through the enforcement of this penalty will be used to augment program funding on a statewide basis.

## **V. APPLICATION AND AWARD PROCESS**

There are no changes to the school district application and award process currently used in the Lower-Emission School Bus Program. School districts located within the Bay Area Air Quality Management District, the Sacramento Metropolitan Air Quality Management District, the San Diego Air Pollution Control District, and South Coast Air Quality Management District shall submit applications directly to the applicable air district. School districts in all other air districts shall submit applications directly to the CEC.

## **VI. REPORTING AND AUDITING REQUIREMENTS**

The existing Lower-Emission School Bus Program is implemented in a manner to streamline reporting requirements for school districts and air districts. It is the ARB’s intent to continue with this streamlined reporting process contained in the Lower-Emission School Bus Guideline document approved by the Board on December 7, 2000.

Because the funding for the continuation of the Lower-Emission School Bus Program now comes from a voter-approved initiative, expenditures from this source (i.e., Proposition 40) must be reported to the Legislature on an annual basis. As a result, the Office of State Audits and Evaluations within the Department of Finance will audit program administration at both the state and local levels, and report to the Legislature on its findings. Information provided by the ARB to the Office of State Audits and Evaluations will be based on information provided by those air districts that their own programs, and on information provided by the CEC, which will administer the program for participating school districts in the remaining areas of the state. Based on the program timeline presented in this document, final reports from the air districts and the CEC for the expenditure of 2003 - 2004 fiscal year funds will be due to the ARB by March 1, 2006.